

**FACTORS INFLUENCING MEMBERSHIP RETENTION IN SAVINGS AND  
CREDIT COOPERATIVE SOCIETIES: A CASE OF WANA-ANGA SAVINGS AND  
CREDIT COOPERATIVE SOCIETY -NAIROBI**

**BY**

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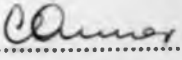
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT FOR THE  
REQUIREMENT OF MASTER OF ARTS DEGREE IN PROJECT PLANNING AND  
MANAGEMENT AT THE UNIVERSITY OF NAIROBI.**

**2012**

## DECLARATION

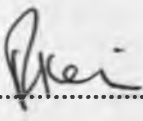
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This research project has been presented for examination with approval as University supervisor

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## **DEDICATION**

This research is dedicated to my family, my husband Mahonga, children Kavagi and Nanda, who have been my support and source of inspiration. May God Mightily bless you.

## ACKNOWLEDGEMENTS

Thanks to God, for His abundant grace, love, mercies, providence and endurance.

I would like to acknowledge the encouragement and support given to me by my supervisor Dr. Peter Keiyoro in writing this research report. His advice, critique and review of the whole report is invaluable.

I would also like to appreciate the Extra-Mural Department, University of Nairobi, for providing me with the academic knowledge to execute this project. I extend my gratitude to the lecturers who prepared me for this course, by adding to my level of education, knowledge and attitude. I'm also grateful to the staff of the University of Nairobi Extra Mural Centre for their contribution through the organization of the project planning and management masters' degree program.

It is also important to acknowledge the staff of Kenya Meteorological Library, for giving me a conducive atmosphere when I needed to study and conduct research. Key also is the management committee and members of Wana-anga Sacco, who cooperated with me despite their busy schedules.

I would also like to appreciate the unconditional support I received from my family members who gave Mum, Sister, Wife, and Daughter space, love and offered prayers to ensure I achieve this award. To my classmates Monica and Oliver, who encouraged and offered advice when I needed it, I'm forever in-debted to you.

Finally to all those who directly or indirectly contributed to the success of this project, God richly bless you.

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## ABBREVIATIONS AND ACRONYMS

<b>ICA:</b>	International Cooperative Alliance
<b>SACCO:</b>	Savings and Credit Cooperative Organization
<b>WOCCU:</b>	World Council of Credit Unions
<b>SASRA:</b>	Semi-Autonomous Savings Regulation Authority
<b>UN:</b>	United Nations
<b>ILO:</b>	International Labour Organization
<b>EU:</b>	European Union
<b>GDP:</b>	Gross Domestic Product
<b>MFI:</b>	Micro Finance Institution
<b>AFRACA:</b>	African Rural and Agricultural Credit Association
<b>HIV/AIDS:</b>	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
<b>BOSA:</b>	Back Office Services Activity
<b>FOSA:</b>	Front Office Services Activity
<b>AGM:</b>	Annual General Meeting
<b>WANAMECO:</b>	Wana-anga Medical Cover
<b>EAFC:</b>	Eastern Africa Farmers Cooperative
<b>IMF:</b>	International Monetary Fund
<b>USAID:</b>	United States Agency for International Development
<b>MOCMD:</b>	Ministry of Cooperative Development and Marketing

## ABSTRACT

This research was undertaken to investigate and analyze factors influencing retention of SACCO members. SACCOs' have undergone turbulent times yet continue to emerge as the most acceptable organization able to bring people together with an aim of addressing socio-economic issues. The study used data collected from a representative sample of Wana-anga SACCO members in Nairobi to establish the influence of different factors on membership of the SACCO, and to determine their effect on retention level. The study, focused on the active members who had paid up their share capital contribution (Kshs. 10,000) and were alive by the time the study was being conducted. The objectives of the study were: to find out the level to which the SACCO Act influences retention rate, to establish the marketing strategies used by the SACCO, to establish the influence of products offered by the SACCO on the retention rate and finally to establish the influence of the organizational structure of the Sacco on membership retention levels. The study incorporates individual characteristics, knowledge of the SACCO Act and confidence level in the SACCO Act's ability to sustain the SACCO through enactment of good governance. It also sought to establish marketing strategies employed as well as influences of products available in ensuring membership retention levels. Finally the study looked at the organizational structure of the Sacco and influence levels of the management team in achieving retention levels. Frequency distribution and cross tabulations were employed to describe background characteristics and associations. Chi-square statistics was used to infer the findings and thus enable generalization to the whole population under study. Findings indicate that majority of members are from the civil service and that the female gender is contributing almost as much as men in the form of shares. The SACCO Act was found to be very influential in ensuring retention of members. The members were not satisfied with the marketing strategy employed but only a fraction of them thought a marketing strategy is important in ensuring their retention in the Sacco. Interest rate charged on loans was the most popular reason why members acquired loans with the Sacco. All members were either moderately confident or not confident at all in the election process. The study recommends that SACCOs' acknowledge the importance of marketing strategies in building long term relationships, re-affirming trust and thus ensuring retention levels among their members. The management team should also try as much as possible to incorporate members' ideas in decisions being made to ensure participatory management which will also result in retention of Sacco members

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the study

According to the World Council of Credit Unions (WOCCU), a SACCO is a member-owned, not for profit financial cooperative that provides savings, credit and other financial services to their members. Members join in voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. SACCOs' membership is based on a common bond, a linkage shared by savers and borrowers who pool their savings, deposits and shares to finance their own loan portfolio rather than rely on outside capital. SACCO's are enterprises that put people at the centre of their businesses and not capital. They are business enterprises defined in terms of three basic interests: ownership, control and beneficiary. Only in the cooperative enterprise are all three interests vested directly in the hands of the user. (WOCCU, 2010)

Savings and Credit Cooperative Organizations (SACCO's) were first introduced in Kenya in 1964. Initially most SACCOs were based on common bonds linked to residence, occupation, and churches. In 1969, the government decided to require SACCOs to be based on a secure crop or employment relationship. In this "check-off system," SACCOs received payments directly from employers, processors (cooperatives, parastatals, or private companies), or marketing organizations. ((Ajai Nair et al, 2007)

SACCO's definition emphasizes that they are organizations independent of government and not owned by anyone other than the members. They are united voluntarily and so people should be free to join or leave. SACCO's are designed to meet their members' needs: Nor can

a SACCO be diverted into meeting needs that have not been sanctioned by the members, without it ceasing to be a SACCO. They are distinguished from shareholding firms by their democratic nature with voting rights being assigned by person rather than by size of shareholding. In this sense they are 'not for profit' but they do produce surpluses that can be distributed to their members in the form of a patronage refund. (Birchall, 2004)

SACCO's greatest contribution to Kenya's social and economic development is in the financial sector they take deposits and offer credit to their members. (Wanyama, 2009)

The Kenyan government has actively promoted SACCO development which has been characterized by strong growth, thus making a significant contribution to the overall economy. SACCO's are recognized by the government to be a major contributor to national development as they are found in almost all sectors of the economy. With the population at 40 million (National census, Kenya, 2009) it is estimated that 63percent of Kenya's population participate directly or indirectly in SACCO-based enterprises.

Given the movement's tremendous outreach and the importance of maintaining SACCO sustainability, the Kenyan Government had tried strengthening credit unions and make them safer for members by passing the Sacco Society Act 2008 thus establishing SASRA, a semi-autonomous government agency that is charged with the responsibility of licensing and supervising deposit taking Sacco Societies in Kenya. The establishment of SASRA falls within the government of Kenya's reform process in the financial sector which has the dual objectives of protecting the interests of Sacco members and ensuring that there is confidence in the public toward the Sacco sector.

The SACCO movement in Kenya is one of the nationally organized institutions available to all cadres of persons, attracting various classes of people regardless of their socio-economic status and their agenda becomes one of sharing ideas, suggesting and implementing viable practices that are likely to bring development and uplift economic status of members. The various forums they organize for education purposes are often devoid of political, ideological or socio-cultural motive that may derail focus. (Gunga, 2008)

Through SACCO's, entrepreneurial members achieve economies of scale, gain bargaining power and capacity to invest in more advanced stages of the value chain, enjoy reduced transaction costs and build relationships with other investors. In addition as community institutions, SACCO's devolve decision making to the community level, build social capital, nurture community spirit and pride (Reynolds, 1998)

Wana-anga Sacco was registered on 14<sup>th</sup> December 1979 under the Co-operative Societies Act of 1966. Cap 490, Section 7, as a Savings and Credit Society with its headquarters at Dagoretti Corner, Ngong Road, Nairobi.

The Society's membership grew steadily from less than 200 at its inception to 900 by the end of the year 2000. Members were drawn mainly from the Kenya Meteorological Department in the then Ministry of Transport and Communications. The current active membership is 2050 with the member's deposits growing from Kshs. 500,000 in 1982 to over Kshs. 200 million in 2009. The share capital has also grown from kshs.1.6million in year 2000 to over 6 million in 2010. (Share capital is formed from the non-withdraw able shares of a member)

Wana-anga Sacco operates two major sections with wide range of products and services. The back office services activity (BOSA) avails development loans, school fees loans, emergency

loans and normal instant loans while the front office services activity (FOSA) which has grown into a full banking department operates savings accounts, fixed deposit investments, salary processing, front office loans and salary advances. (www.wanaanga.co.ke retrieved: 14/03/2012)

SACCO's as part of cooperative movement, are therefore local institutions that address 'local needs' employ 'local talent' and are led by 'local leaders', and belong directly to the members. (Gunga, 2008)

## **1.2 Statement of the research problem**

Savings and credit co-operatives (SACCO's) gained importance and increased in size when they stepped in during the banking sector crisis to open branches in areas where banks had retreated, and be able to take deposits from investors, which they then lend out to their members.

SACCO's were also able to penetrate the country's interior to offer financial services to small scale farmers at a time when these farmers were unable to afford collateral as demanded by commercial banks.

Due to poor legislations many SACCO's fell victim to political interference and mismanagement by officials and collapsed. Reforms done ten years ago have been instrumental in placing SACCOs' as important institutions in the economic growth of this country.

Despite the challenges of liberalization, the SACCO movement has not withered away. The number of registered SACCO's as well as their membership has been growing over the years. The significant growth in membership particularly since the liberalization of the movement has been attributed to the re-surgence of people's confidence in SACCO's enterprises as mechanisms for generating income to satisfy various socio-economic needs. (Wanyama 2009)

Today SACCOs' in Kenya constitute a critical part of the financial system having the largest registered SACCOs' in Africa. (WOCCU, 2010)

*Table 1.1: Growth of SACCOs and membership levels in Kenya*

<b>Year</b>	<b>SACCOs in Kenya</b>	<b>Members</b>	<b>Savings and Shares (Kshs)</b>	<b>Percentage penetration</b>
2007	3825	3,522,200	2,109,896,053	16.7%
2008	3900	3,682,272	2,269,620,502	17.1%
2009	3996	3,835,250	2,750,754,034	17.8%
2010	4020	3,918,490	2,794,431,047	18.1%
2011	4638	4,183,220	2,678,325,980	18.5%

Source: World Council of Credit Unions annual statistical report, 2011

Success in SACCOs can clearly be seen in the growth of FOSA balances which have grown rapidly and are now equal to one quarter of all deposits in the banking system and a number of large deposit taking SACCOs are already the size that ranks them alongside mid-sized commercial banks (Ministry of Finance Draft Medium Term Plan 2008-2012)

Despite reforms that have enable SACCOs achieve credibility, as financial institutions they are still plagued by challenges key among them is non-remittance of monthly deductions by employers, corruption, mismanagement and governance issues, poor accounting standards and yet they still seem to be the most favored financial institution.

SACCOs in Kenya are very popular within people sharing the same socio-economic background, culture and objectives and have through the years attracted and retained a high number of membership. Regardless of equally heavy presence of micro-finance institutions in Kenya, targeting the same market as SACCOs, the cooperative's growth has remained unrivaled. A good example is the SACCO this research undertakes to study, which has grown through the years and is able to offer products and services comparable to those a commercial bank does. The SACCO has witnessed growth of the share capital, which demonstrates the fact that members are not withdrawing thus retention levels can be observed.

*Table 1.1: Active members and share capital of Wana-anga for the last five years*

<b>YEAR</b>	<b>No. of Active Members</b>	<b>Share Capital</b>
2007	1473	Kshs. 3,330,000
2008	1756	Kshs. 3,750,000
2009	1833	Kshs. 4,065,000
2010	1990	Kshs. 4,890,000
2011	2050	Kshs. 6,058,000

Source: Wana-anga SACCO, 2012

Retention is vital for the continuity of an organization and more so the SACCO organization whose capital is solely financed by the members it serves. The SACCO sector has begun to

consider the extent to which changes in the operating environment, limited portfolio growth, increasing delinquency rates and movement of clients to the competition may be related to limitations of the design of products and services on offer.

Retained customers are the ones with extensive credit history and who are accessing larger, higher value loans whereas new customers require induction training and can often weaken the solidarity of groups. This has contributed to the realization that there needs to be a shift in the direction of a market-driven, client-led approach which will enhance retention of members.

This study therefore seeks to find out factors influencing membership retention in SACCOs'.

### **1.3 Purpose of study**

The purpose of this study is to find out factors influencing membership retention in savings and credit cooperatives (SACCOs') in Kenya by studying Wana-anga Savings and Credit Cooperative.

### **1.4 Objectives of the Study**

This research is guided by the following objectives which are:

- i. To establish the relationship between SACCO Act and membership retention levels of Wana-anga Sacco
- ii. To find out the marketing strategies employed by Wana-anga Sacco and its effectiveness.
- iii. To determine the range and ease of access to products offered by Wana-anga Sacco and influence on retention levels.

- iv. To establish the relationship between SACCO structure and membership retention levels at Wana-anga Sacco.

## **1.5 Research Questions**

The research study sought to answer the following research questions

- i. Does the SACCO Act influence membership retention levels of Wana-anga Sacco?
- ii. What marketing strategies have been used by the Sacco and how effective are they?
- iii. What are the products offered by Wana-anga Sacco and how do they influence retention levels
- iv. Does the SACCO structure influence membership retention levels?

## **1.6 Justification of the Study**

Sacco's are thriving enterprises which contribute in significant ways to reducing poverty, promoting gender equality, providing health care services, tackling the HIV/AIDS pandemic, ensuring environmental sustainability and working through partnerships with a wide range of actors. However studies also show that cooperatives are not yet involved as fully as they could be. Efforts are still required by the government and civil society to ensure that people centred self-help enterprises (cooperatives) have an opportunity to participate fully in the development process. (Birchall, 2004)

Most SACCOs' do have a larger rural outreach than micro finance and serve a large number of low income clients than most MFI's. Most importantly they are able to serve their customers well without relying on donor support (Ajai Nair et al, 2007)

Birchall, (2004) further argues that SACCOs' do have enormous potential as organizations of the poor and with their track record in lifting whole groups of people out of poverty in the now developed world is substantial. He further states that case studies of Saccos' in both

developing and developed countries under the right conditions could substantially reduce poverty among some of the world's poorest people and promote economic development so long as they are able to retain their members.

### **1.7 Significance of the study**

SACCO's are increasing in their prominence and could soon be the most common form of cooperative. (Pollet 2009). The growth in importance of the SACCO sector is associated with the increase in demand for affordable financial services. This study will assist management of Wana-anga Sacco, and others find out the factors influencing membership retention levels of SACCO's and they'll then be able to formulate appropriate policies that aim to increase retention levels.

The study may also be used as reference material for researchers interested in furthering knowledge on the cooperative sector.

### **1.8 Limitations of the study**

The research sought to find out retention levels of active members in Wana-anga and thus excluded others members who are not active, and who number over 1000. This then necessitate the researcher to use purposive sampling technique that will ensure all those selected from the sampling frame are active members.

### **1.9 Delimitations of the study**

The study was conducted using a Sacco that has shown tremendous growth over the years and has won several awards among operating Sacco in Kenya including highest dividend paying Sacco for five years in a row. It was thus considered a true model of the SACCO movement in Kenya.

### **1.10 Basic Assumptions of the Study**

The study assumed that Sacco members will be available to provide reliable and valid data that will then be used to make conclusions in relation to the study. The study also made the assumption that the questionnaires will be duly completed and returned.

### **1.11 Organization of the study**

The project research is organized in five chapters.

Chapter one contains introduction which included background of the study, statement of the problem, purpose and objective of the study, research questions, significance of the study, their limitations and delimitations and finally organization of the study.

Chapter two contains review of related literature on the influence of the Sacco act on membership retention. It starts off with an introduction, then moves to literature review on Sacco Act, its history and development. The chapter then looks at marketing strategies and their influence on customer retention, use of products in retention management and finally Sacco's organizational structure and its influence on Sacco membership.

Finally a conceptual framework is presented and a summary of the literature review.

Chapter three describes the research methodology to be used. This includes research design, target population, sample size and sample selection, research instruments, data collection procedures and data analysis techniques.

Chapter four shows the data analysis, presentation and interpretation of the analysis. This incorporates demographic characteristics, evidence of customer retention and the contribution of marketing, products availability and access and finally Sacco's organizational structure in influencing retention of Sacco members.

Chapter five is a summary of the findings, discussions, conclusions and recommendations made by the researcher based on the research results.

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## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews the relevant literature on financial cooperatives and their impact across selected countries in the world. It will explore, analyse and look at the way forward for the SACCO Act in Kenya, the marketing strategies being used in SACCOs', importance of product management in SACCOs' and finally organizational structure as it applies to SACCOs'.

#### **2.2 SACCO Act and membership retention of deposit taking SACCO's in Kenya.**

An Act is a law or an obligatory rule of conduct imposed by the sovereign who has coercive powers. (Encyclopedia of American Law, 2008)

The Kenyan Cooperative Act was revised in 2005 to provide for establishment of a regulatory body for Savings and Credit Cooperative Societies (SACCOs). This Act has only one broad objective and that is to promote the welfare and economic interests of the members. It has no minimum registration requirements leaving this to the discretion of the cooperative commissioner. No one individual member in a SACCO can own more than 20 percent shareholding of the cooperative though the society itself can own 20 percent. Payment of dividends is recommended by management committee and approved by the General Meeting, and no specific amount for reserve fund is provided for in the law and the proportion of funds to be reserved is decided by rules. The minimum membership age is 18 years and a society with a minimum of 10 members can apply for registration. (Cooperative Act, 2004)

## 2.2.1 History of the SACCO Act in Kenya

Consistent with the new economic environment that was sweeping across Africa in the 1990's, Kenya introduced new policy and legislation in 1997 in order to liberalize cooperatives. The resultant framework sought to facilitate the development of commercially autonomous, member based cooperative organizations which would be democratically and professionally managed, self-controlled and self-reliant business enterprises (Wanyama 2009)

The 1997 Act empowered the members to be responsible for the running of their own cooperatives through elected management committees. Nevertheless cooperatives had not been prepared for this freedom. For the first time ever the cooperatives were left without a regulatory mechanism to play the role that the government had previously played. Consequently, the immediate impact of liberalization on cooperatives was principally negative. To the detriment of many primary cooperatives, the newly acquired freedom was dangerously abused by elected leaders which saw many cooperatives report cases of corruption and mismanagement. (Wanyama 2009)

In response to these circumstances, the 1997 Act was amended in 2004. The main content of cooperative society amendment act of 2004 reinforced state regulation of the cooperative movement through the office of the commissioner for cooperative development in roles such as policy and legal framework for developing cooperatives. The Act widened the Commissioners powers and scope of regulation over the cooperative movement to include promotion, inspection, enquires, auditing, surcharge, debt collection, liquidation and provision of technical extension services. (Wanyama 2009)

In addition to this legislation, there is the SACCO Societies Act of 2008 that provides for the licensing, regulation, supervision and promotion of savings and credit cooperatives by the SACCO Societies Regulatory Authority (SASRA). This Authority is mandated to license SACCO's to carry out deposit-taking business as well as regulating and supervising SACCO's. With regard to licensing, SACCO's will first have to be registered as cooperatives under the cooperative societies act 1997, then obtain a license from the authority to carry out deposit taking business (popularly known as Front Office Services Activity FOSA) after meeting some requirements. (Wanyama 2009)

Upon being licensed, the SACCO will be required to engage only in the business prescribed by the authority. The SACCO shall also be governed in accordance with the provisions of this Act and will be supervised, inspected, advised and generally regulated by the Authority. The Authority also has power to intervene in the management of a SACCO that is deemed to be mismanaged. Nevertheless some provisions in the Act such as the minimum capital requirement, is so stringent that some SACCO's may not be able to operate the FOSA activity. (Wanyama 2009)

## **2.2.2 Analysis of the Sacco Act in Kenya**

A major constraint to cooperative development in many countries is the poor enabling environment with restrictive laws and regulations that still stem from the populist-nationalist approaches of the 1970 and 1980's. This poor legislative and regulatory environment impacts upon the autonomy and business performance of cooperatives. (Pollet et al, 2003)

Most cooperatives have their origin in state controlled promotion of cooperative development, which saw most of the people join cooperatives not on the basis of their

common bonds and mutual trust but due to the directive from the state that compelled those engaged in similar economic activities to join specific types of cooperatives e.g. in the agricultural sector it is mandatory for cash crop farmers to join cooperatives in order to market coffee, cotton, pyrethrum and milk. Non –agricultural cooperatives are involved in finance, housing, insurance, transport and the informal economy. In the financial sector the cooperative bank and SACCO provide savings and credit services (Wanyama 2009)

Fulton (2004) recognises free rider problems in cooperatives (i.e. lack of incentive for members to invest in co-ops) and notes that members only invest as much as required, leaving co-ops dependent on debt financing and short of capital. New members with minimal investment in many cooperative business structure gain access to assets and equities built up by long-time members. Long time members leaving the co-op have difficulty gaining access to undiluted assets that are used by the firm and its free rider members.

Faber and Egerstrom (2001) see a generational division within members, an issue that is not addressed in the SACCO Act. An older member may not want the firm to make investments that would use or put a risk equity that the member has accumulated in the firm especially if that member wants to retire and redeem the equity in the near future. A newer member may want to use that equity in investments for longer-term objectives and strategies.

Merret et al (2004) argues that self interests of members can make it difficult for the SACCO to diversify operations and it can cause tensions among members based on their need or desire for cooperative services.

Eastern Africa Farmers Cooperative (2010) study on cooperative acts found that there is still heavy government involvement in cooperative formation and management due to the large numbers of members who can then be used for political mileage. The study also observed that the rigidity of the cooperative movement structure creates ambiguity in membership and overlapping functions of the members. Accountability and transparency are key challenges as opposed to the case with limited companies. These laws have been ineffective without the cooperative policy which most cooperatives and stakeholders have been seeking to develop.

Agencies therefore lobby for enhanced legal foundations that allow cooperatives to function as autonomous private member controlled businesses. SACCO should also be spearheading the drive for product and people oriented fundraising which then gives them more autonomy and legitimacy. They should use their endowments well by looking for a new mission to reach larger and different people in the society. (Pollet et al, 2003)

### **2.2.3 Way Forward for SACCO's**

East African Farmers Cooperative (2010) agreed that ethics and leadership challenges in cooperatives should be addressed directly in the SACCO Act. A model Act should be one that freely enhances the individual members of the SACCO have ownership over their society in terms of governance, management and the products or services they deal with as an enterprise.

FSD Kenya commissioned to identify viable automations solutions for SACCO concludes that more robust systems will enable SACCO manage their operations more efficiently, manage growth and generate reliable management information reports for both SACCO executives and the regulatory authority. The team concluded that the most viable system

option is the acquisition of a SACCO dedicated packaged software, but the SACCO's need to assess their ability to acquire, customize and implement the application, availability of connectivity, ability to manage the application and their ability to realize organizational change to utilize the system (FSD report 2010)

### **2.3 Marketing strategies and membership levels of SACCO's**

Marketing strategy is about people inside an organization finding ways to deliver exceptional value by fulfilling the needs and wants of other people i.e. customers, shareholders, business partners as well as the needs of the organization itself. Marketing strategy draws from psychology, sociology and economics to better understand the basic needs and motivations of these people- whether they are the organizations customers (typically considered the most critical), its employees or its stakeholders. In short, marketing strategy is about people serving people. (Ferrel et al, 2008)

Marketing strategy is interesting because it is never stagnant. The simple fact is that people change and a strategy that works today might not work tomorrow. The lack of concrete rules and the ever changing economic, social-cultural, competitive, technological and political/legal landscape make marketing strategy a very key aspect in every organization and also a very challenging one. The importance of marketing strategy is also undeniable. No other business function focuses on developing relationships with customers (the life blood of all organizations) more than marketing. (Ferrel et al, 2008)

Marketing strategy is thus the creative process involved in applying the knowledge and concepts of marketing to the development and implementation of a marketing plan.

Strategic marketing planning is not only a process for achieving organizational goals but also a means of building long term relationships with customers, with the intention of retaining them. (Ferrel et al 2008)

Marketing is no longer simply about developing, selling and delivering products. It is progressively more concerned with the development and maintenance of mutually satisfying long-term relationships with the customers. If the 1950's was the era of mass-marketing, and the 1970's the era of market segmentation, then the 1990's represent the genesis of personalized marketing in which knowledge about individual customers is used to guide highly focused marketing strategies. This change is driven by several conditions: more intense often global competition, more fragmentation of markets, a generally high level of product quality which is forcing companies to seek competitive advantage in other ways, more demanding customers and rapidly changing customer buying patterns. Enduring relationships with customers cannot be duplicated by competitors and therefore provide a unique and sustained competitive advantage. (Buttle, 1996)

Cooperatives have suffered image problems because of the abuse they have undergone over the years beginning with the colonial times, to socialism and autocratic times in some cases, to times of cooperative disenchantment because of the introduction of structural adjustment programs by international donors who wanted to accelerate development on their terms which were unfavorable to the very ones who needed development. These and other factors of urbanization have led to reduced interest in cooperatives by youth and women. Overall this reduced effectiveness of cooperatives on development. Entrepreneurship and innovation are increasingly becoming key ingredients in enhancing the role of cooperatives. (Eastern African Farmers Cooperative, 2010)

To achieve marketing success in a new environment, financial services firms regardless of their size or industry segment, must discard convention and seek out the most effective ways of increasing productivity and penetrating their target markets (Kaynak, 1993)

Fonteyne, (IMF working paper, 2007) argued that consumer ownership of firms (co-operatives) can be efficient in situations characterized by problems of 'lock-in'(inability to leave a long term relationship at low cost), risks related to long-term contracting (e.g. in life insurance), information asymmetries in favor of the firm, or other factors that give firms significant market power (e.g. a natural monopoly). In such cases consumer ownership has significant benefits because it reduces the firm's incentive to exploit these advantages.

Fonteyne, (IMF working paper 2007) further believes that, consumer protection laws cannot always be relied upon to fully protect consumers and provide them with cost-effective ways to seek re-dress; thus, the trustworthiness of an institution has become an essential criterion in consumer's choice of bank. Consumers want to be able to trust the advice their bank gives them and sign documents without a lawyer having to read the fine print. The fact that cooperatives are owned by their clients, and state publicly, that they do not seek to maximize profits, gives them an edge in portraying trustworthiness. He continues by saying cooperatives should be aware of this and should point it out in their marketing that they are different.

A study by USAID in South Africa (Cattell and Boaden, 1999) expressed concern that despite the existence of a wide variety of SACCO and SACCO markets, there appeared to be little understanding of how to tackle marketing, and structures and capacity to implement

marketing initiatives were lacking. They therefore recommended formation of a marketing task force whose objective was to develop a strategic marketing action plan to encompass marketing policies including market segment prioritization, product and interest rate pricing policies, promotional strategy and a communication strategy

Kay (2006) says SACCO have a competitive advantage in establishing trust. However he cautions that an advantage in establishing trust does not alter the fact that trust is easy to lose. He further observes that when mutual financial institutions become large and pursue growth and diversification, they tend to lose their trust advantage because they start to act as commercial institutions.

#### **2.4 Range and ease of products and membership growth levels in SACCO**

Product development determines profitability. Without well-designed products that meet the needs of customers at reasonable cost, a firm has no sales and without sales a firm has no profit. (Hauser, 2010)

In managing financial institutions, the value of retaining clients is particularly clear. Retained customers are the ones with extensive credit history and who are accessing larger, higher value loans whereas new customers require induction training and can often weaken the solidarity of groups. Despite this knowledge, many financial institutions worldwide suffer chronic problems with clients leaving their programs. Analysis of these 'drop-outs' almost invariably point to inappropriate designed products that fail to meet the needs of the clients. Few financial institutions have started developing client responsive, market driven products (Wright, 2004)

Product management is an organizational form that has moved into service companies such as financial institutions and even hospitals. It's worth noting that even with services, product managers practice oversight: strive for customer satisfaction and work to build long-term value for the company despite many challenges. One challenge includes the fact that services are less tangible than products, making it harder to 'prove' claims of quality and superiority. (Clark et al 1993)

A study of rural financial institutions and SACCO's in India found that there was need to provide incentives for the existing financial institutions to become customer oriented. This then would result in appropriate focus for the rural poor market, development of new products, channels and promotional methods based on the ground market research and a re-orientation of policies and systems in line with the new focus on the customer.

The study team's formulated the required (new generation) behaviour to improve access of the rural poor in a sustainable manner and summarized them as the 'Ingredients' of successful micro finance. These ingredients include: Independence (no political interference nor bureaucratic control), Interest rates (for deposits interest rates should be high enough to attract savings while for loans they should be high enough to cover costs of funds, cost of operation and loan losses), Incentives (good incentives for staff to ensure good customer service and for customers to ensure deposits come in and loans are repaid), Increased capacity to ensure broader scope of services to include savings, consumption, better systems for MIS and internal supervision and finally Integration into the dynamism of societal groups and interactions e.g. self help groups. (Mahajan et al, 1996)

A study commissioned by the Swiss Cooperative Centre and the Cooperative Bank of Kenya in 2005 under 'Community finance and Empoerment project (COFEP) revealed that for many SACCO's in Kenya, changes made on existing products are generally influenced by the knowledge of what competitors are doing and rarely on systematic analysis of needs or market leading to poor product differentiation.

Previously SACCOs had a 'ready' market for their services, but financial institutions are beginning to target these markets that predominantly belonged to the SACCO sector e.g the civil service, teachers etc. The emerging competition from formal institutions, MFI and commercial banks is one factor that should make SACCO's want to protect their markets. For instance commercial banks are now offering financial services to salaried workers, previously clients of SACCOs and in some cases are aggressively negotiating with employers to have salaries channelled through their organizations. SACCOs must develop new strategies for retaining their market share. Understanding client needs through marketing research and developing products will enable Sacco's to respond to client needs and preferences, deepen and broaden outreach/growth, manage risk and vulnerability, raise new capital, reduce delinquency rate and retain good clients.

Brazda and Schediwy (2001) note that emotional loyalty of members towards their SACCO is only partial transmittable over generations meaning that as a SACCO matures and becomes long-established, member fidelity becomes contingent on the SACCO's ability to offer products that are competitive in the market and can be especially fragile if members financial involvement is low.

A study by Ahimbisibwe (2007) recommended that SACCOs should mobilize adequate capital to meet all the financial needs of all the members' especially high income earners so that they can stay in the SACCO. This can be achieved through having varied investment portfolios e.g. treasury bills and securities as opposed to the current and limited ones of only extending credit. He also noted that there was un-tapped potential for savings mobilization in the rural areas and SACCO's can use that opportunity to diversify their funding source of loan portfolios. Products like school fees and burial sinking fund will provide an increased incentive for savings especially among those whose incomes are seasonal. In addition SACCO's have to meet the demand of both borrower and savers. Larger savers tend to qualify for and want larger loans. Borrowers who are forced out by SACCO loan limits usually run to commercial banks at the risk of the high interest rates. In contrast if a SACCO can help long term borrowers to obtain larger loans or recommend them to other banks will continue to have the members goodwill and of course their savings

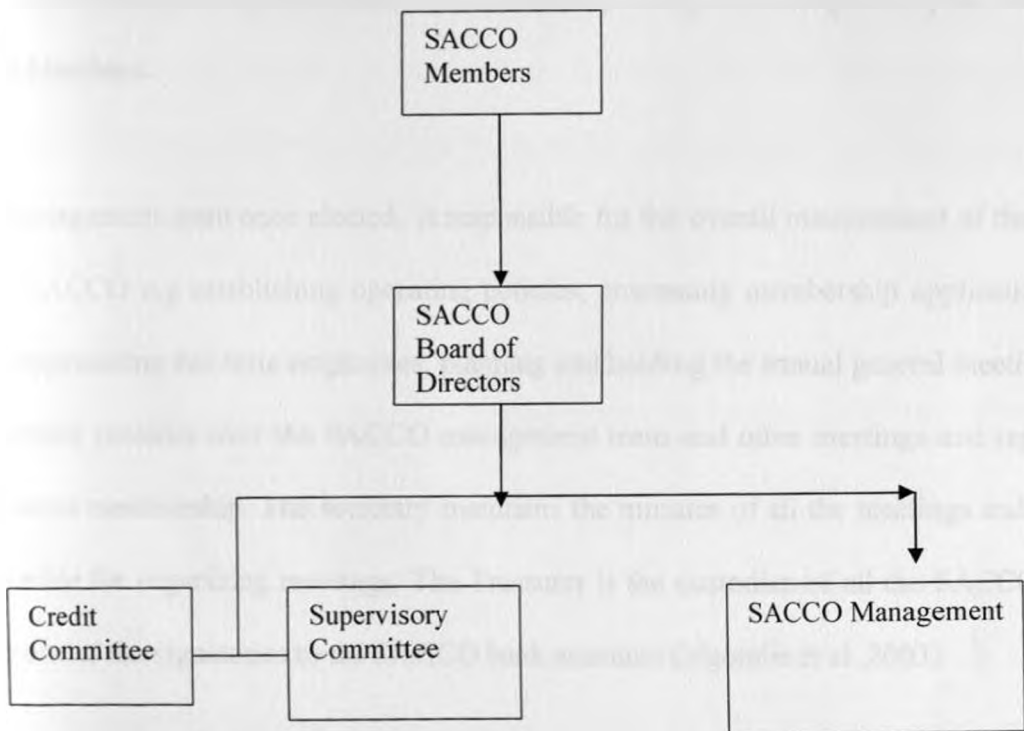
Tumaini (2010) recommended that to encourage more people to join SACCO they must provide a variety of financial services and products to ensure institutional sustainability. Among the products that need to be emphasized include insurance products such as funeral and credit life insurance, money transfer as well as developing deposit products with competitive interest payments. He believes that there's also a need to develop tailor made products particularly credit products which can suit majority of the members in the society taking into consideration the nature of their activities.

## 2.5 Organizational Structures in SACCO

### 2.5.1 Selection and role of Board of Directors in SACCO

Members are owners of the SACCO. During the annual general meeting, members elect amongst themselves the Board of Directors. In turn the elected board members elect amongst themselves the chairperson, vice-chairperson, secretary, vice-secretary, treasurer and vice-treasurer. The Board members also elect amongst themselves into the credit committee, the supervisory committee and the management committee. (Ngombe et al, 2003)

Table 2.1: SACCO Organizational Structure



Source: Ngombe et al. (2003)

### The Executive Committee

This comprises of the following members

-Chairperson

-Vice-chairperson

-Treasurer

-Secretary

-Sacco Manager

### **The Supervisory Committee**

This committee is comprised of the Vice-Treasurer being chairperson plus two other Board Members.

### **The Credit Committee**

This committee is comprised of the Vice-Secretary being the chairperson plus other two Board Members.

The Management team once elected, is responsible for the overall management of the affairs of the SACCO e.g establishing operating policies, processing membership application, hire and compensating full time employees, planning and holding the annual general meeting. The chairperson presides over the SACCO management team and other meetings and reports to the general membership. The secretary maintains the minutes of all the meetings and is also responsible for organizing meetings. The Treasurer is the custodian of all the SACCO funds and is one of the signatories to the SACCO bank accounts (Ngombe et al ,2003)

Cooperative Governance is the relationship between the members as owners of business, the management that has the care and control of the business and committees/boards as monitors of and advisors to management on behalf of the owners. In Kenya, a cooperative annual general meeting is the supreme organ which authorizes operationalization of a cooperative's budget. It also gives the SACCO borrowing powers and decides who is to be in the executive management committee through transparent election held under the supervision of the

Ministry of cooperatives and marketing officials. The SACCO's executive management committee is currently empowered to make and effect investment, bond expansion, marketing strategies, corporate social responsibility, HIV/AIDS and labour mitigation decisions which are expected to be for the benefit of their members. While there are six governance models the most commonly practiced by SACCOs in the world include, Guideline-based model which involves having a set of standard or guidelines prescribed by legal entity/committees which puts in place rules that cooperatives are supposed to follow.

Indeed SACCO's have by-laws which provide clear frame work on how they should operate. These by-laws are guidelines or policies which addresses most challenges experienced by members. The advantage about guideline based model is that they solve governance problems by providing the answers.

Principle based models identify over arching principles of governance, then encourage committees to evaluate and choose their own best practices using these principles as the foundations and filters ( Agumba, 2008)

In 2004, an amendment of the 1997 Cooperative Societies Act Chapter 490 of the Laws of Kenya was passed by Parliament. The main provisions of the amendment which applied to SACCO's included: to ensure indemnity to societies in the case of loss or fraud resulting from mismanagement by committee members, it became mandatory for committee members to file individual indemnity forms with the regulator and the MOCDM; prudential standards were set for the operation of cooperative societies operating front office services; management was also expected to present a budget at every annual general meeting or special general meeting to be approved by members and no cooperative was to invest in non-core

business except with the approval of the commissioner and members of the cooperative through a special resolution at the annual general meeting. (Kenya Gazette Supplement 2004a)

### **2.5.2 Analysis of SACCO's organization structure**

In a study of the human resource capacities of agricultural cooperatives, Prakash (2000) found that cooperatives are the best suited institutions for economic and agricultural development but that SACCO's in developing countries have historically faced many challenges, including a low level of managerial capacities among staff and board members. For long term sustainability, it is vitally important that SACCO leadership respond to market demands, improve their technical and managerial capabilities. It is also imperative that managers and board members receive training relevant to their context. Through management training, SACCOs' may exploit the advantages brought about through purposeful cooperation

Birchall (2003) has noted that SACCOs' record for reducing poverty in developing countries is less than stellar, not due to shortcomings in the cooperative model, but rather due to external and internal constraints. The barriers are multiple and multifaceted: lack of autonomy due to government interference, inadequate access to markets, men typically held membership and decision-making positions though women did most of the farming, and mismanagement. As these constraints are overcome and an environment for the growth of cooperatives is established, the viability of cooperatives is greatly increased. Birchall suggests that financial help from governments and international aid agencies for cooperatives be temporary and emphasize human resource development. Central to the achievements of agricultural cooperatives are the emphases placed on democratic processes, bottom-up decision making, and member-ownership of the cooperative.

SACCO's need more scope to manage their capital, allowing them to better raise and shed capital in function of their needs. Furthermore improvements are needed in SACCO's governance systems. Such improvements could include strengthened disclosure requirements, various measures to increase member involvement, mechanism that allow members to organize themselves and challenge management, in particular on fundamental questions regarding the future and size of the institution, increased minimum investment levels for members, the addition of independent and well qualified board members. (Fonteyne, 2007)

Fulton (2001) notes that despite the one person/one vote democracy of the SACCO structure, some members often become more influential than others. Furthermore there are times when management and boards may not easily ascertain their members wishes given the conflicting signals they receive from influential members advancing their own interests. This problem of decision making is confronted by Porter (2008) who shows that all managers must constantly seek a competitive advantage in at least one area of competition therefore SACCO managers must constantly educate members and communicate reasoning for their organization's strategies.

As it grows up, a SACCO accumulates a pool of human and financial resources that provides it with an increasing degree of independence from its members. The enterprise and its business processes also tend to become more complex, specialized and bureaucratic, which makes member involvement in its operations less effective and desirable. With the professionalization of management, economic efficiency becomes a primary concern, leading to a quest for scale economies that often drives a process of consolidation and formation of networks. In the course of this process, the distance between management and members

increases. In essence, the cooperative undergoes a metamorphosis of its governance challenges, as its staff and managers emerge as new classes of stakeholders with interests that are not necessarily aligned with those of members. (Fonteyne 2007)

Merret et al (2004) argues that in large SACCOs', the need for fast 'business like' action tends to tip the power to management. Fulton (2001) notes that SACCOs', with widely dispersed members give the owners little cause to closely monitor management decisions.

SACCOs', in particular those of significant size, must be expected to significantly improve their systems of corporate governance. Members must be given the means to be actively involved in management decisions, as participation is both a guarantee of the satisfaction of the social needs of the members and a realisation of a core value of the co-operative, which also responds to the requirements of the legal system: combining mutuality with democracy. (Pezzini, 2006)

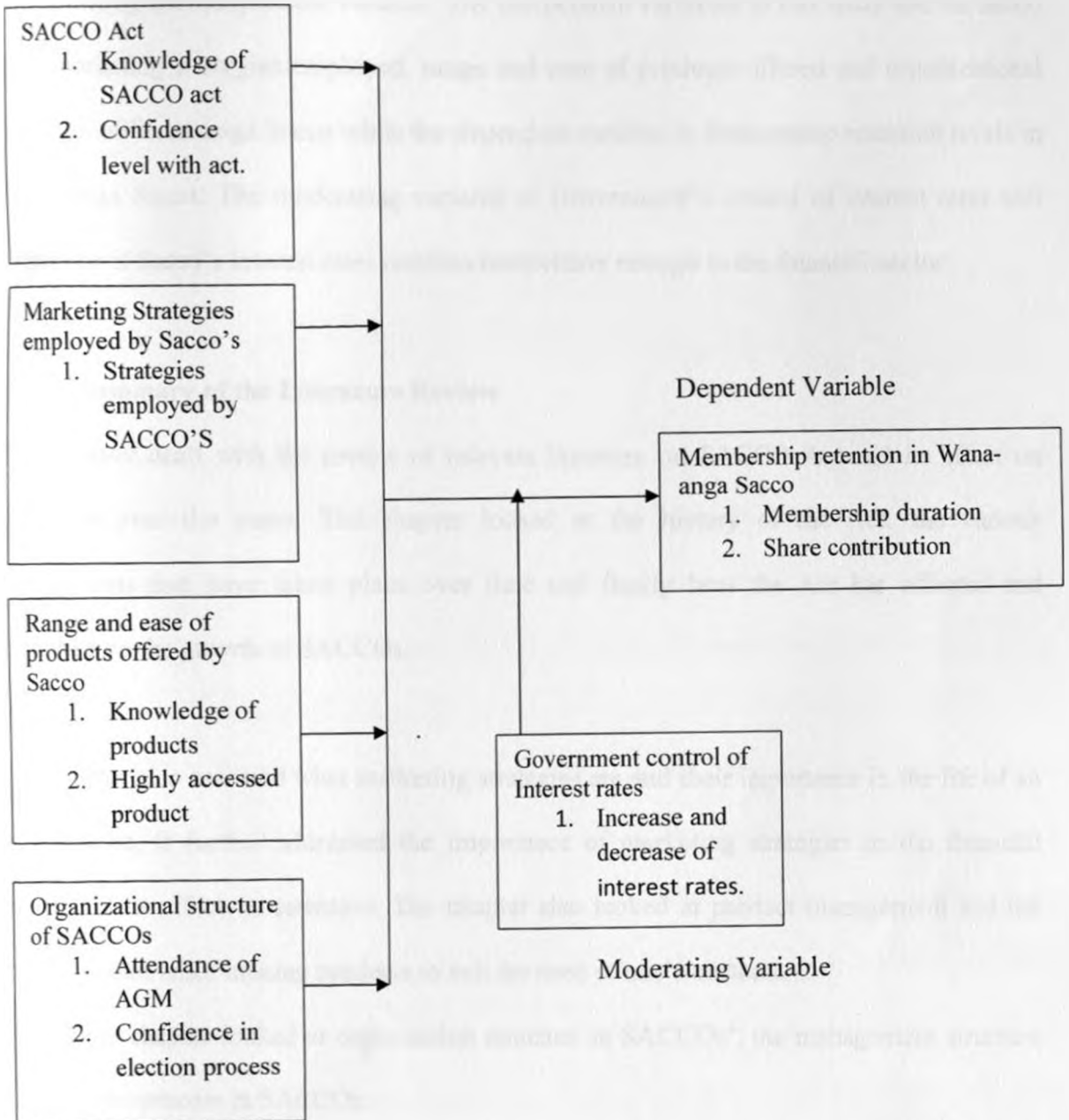
Eastern African Farmers Cooperative (2010) found that poor SACCO development has seen co-operators unable to participate in national development. This includes lack of professionalism in running cooperatives in the region as well as a focus primarily on business and not on both business and social development. Continuous education is needed for cooperative members to assist management on issues of governance, management and any other areas that will improve the quality of the cooperative. There should be provisions on term limits, with rotation of members' exit to promote continuity and avoid a leadership vacuum. Governance and management should also be separated. The use of 'management committee' to mean Board should be avoided because the two have different roles and responsibilities. A management committee runs and manages the day-to-day affairs of the

society and implements policies formulated by the Board. The study also found out that the Kenyan government wants to encourage the application of ICT for use in all cooperatives to allow for real time information transfer thus reducing problems of governance.

Savings and credit cooperatives societies (SACCO's) like other deposit taking institutions thrive on the trust and confidence of their members. However the leadership of SACCO's can easily be complacent in the belief that their members have faith in their stewardship since being member owned institutions the leaders are democratically elected. Governance in Sacco's are increasingly becoming a challenge especially as Sacco's expand in service and product range and diversified membership. The board and management are under pressure to ensure members access services easily and conveniently while ensuring that the SACCO remain financially stable. The important thing for SACCO's is what the leaders are doing to respond to the governance challenges. One of the responses to governance challenges is entrenching transparency and accountable leadership. SACCO leadership must embrace performance systems through which the members can objectively evaluate their performance. Hall (2005) noted that cooperative sector is known as the worst documented micro-finance sub sector, due to lack of supervision and unreliable reporting. In addition to the supervisory committee and an auditor to give an opinion on the financial documentation, there is a need for external supervision. The financial and economic emancipation of SACCOs against mainstream banking system have been based on the mobilization of savings from members and using 80% of those funds for loans. However as Chipimbere (2009) has noted, the growing need for loans by members may lead to external sources of financing the loan needs of members and linkages with the formal banking sector.

## 2.6 Conceptual Framework

Independent variable



*Fig 2.1: Conceptual framework*

The conceptual framework contains five independent variables and one dependent variable. According to Mugenda (2009) independent variables are those that cause change in the dependent variable while the dependent variable is one whose outcome depends on manipulating the independent variable. The independent variables in this study are the Sacco Act, marketing strategies employed, range and ease of products offered and organizational structure of Wana-anga Sacco while the dependent variable is membership retention levels in Wana-anga Sacco. The moderating variable of Government's control of interest rates will determine if Sacco's interest rates remains competitive enough in the financial sector.

## **2.7 Summary of the Literature Review**

This chapter dealt with the review of relevant literature on SACCO Act and its effect on SACCOs over the years. The chapter looked at the history of the Act, the various amendments that have taken place over time and finally how the Act has affected and impacted on the growth of SACCOs.

The chapter also assessed what marketing strategies are and their importance in the life of an organization. It further addressed the importance of marketing strategies in the financial sector and its effect on retention. The chapter also looked at product management and the importance of tailor making products to suit the need of one's customers.

Finally the chapter looked at organization structure in SACCOs', the management structure and election process in SACCOs

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter describes the research methodology used in this study. It explains the research design, target population, sampling techniques and sample size, research instrument, data collection techniques and procedures as well as data analysis criteria that the researcher shall adopt in this study.

#### **3.2 The research design**

A research design is a plan or blue print of how one intends to conduct the research. It outlines how information is to be gathered for an assessment or evaluation that includes what data to gather, from whom, how and when to collect the data, identifying the data gathering method(s), the instrument used/created, how the instruments are to be administered and how the information is to be analyzed to ensure research objectives are met. (Mouton 2001)

This is a quantitative research study. The research design adopted in this study is descriptive survey. This method is preferred because it allows for the characteristics of the sample group to be examined. The study used the data collected to make comparisons between variables being studied. Descriptive correlation survey design enables the researcher to collect, summarise, present, evaluate and interpret the data in a simpler more understandable form (Kothari, 2004).

### **3.3 Target Population**

A population is a group of units for which the study is intended to apply and to which the researcher wants to generalise the results of the study (Mugenda and Mugenda, 2003). The target population for this study are members of Savings and Credit Cooperative Organization in Nairobi. The accessible population were members of Wana-anga Cooperative whose active membership stood at 2,050 as at 14<sup>th</sup> March 2012 records, who were selected using purposive random sampling from the total membership which is made up of 3,120 members some who have passed on, others have retired while others are share payment defaulters.

### **3.4 Sample and sampling techniques design**

The researcher visited the Wana-anga offices and clearly explained the information that was sought and together with the CEO it was decided that the best source of this information would be active members of the SACCO who had fully paid up their share capital. Purposive sampling technique was therefore used to separate the active members of the SACCO from the inactive. The Staff was very helpful in perusing their data base and availing a list of members who had fully paid up their share capital. It is from this list that a study sample was picked using systematic sampling technique, where the first sample unit was taken to be the first member on the list then the remaining units were automatically selected in a definite sequence at equal spacing from one another.

Mugenda and Mugenda (1999) define systematic sampling as every K<sup>th</sup> case in the population frame, which is selected for inclusion in the sample. The researcher sought to study one in every tenth person in the target population. The population in this study was 2,050 active members' therefore every tenth person would amount to a sample of 205 members.

$$\frac{2,050}{10} = 205$$

10

The researcher also used purposive sampling design to get a sample from the management team of the cooperative. This is justified because this team have their day to day duties of work in addition managing the cooperative which they do on a volunteer basis. From a frame of twelve board members the researcher selected just one. The researcher undertook to interview the committee member who was available at the time the study is being conducted, who happened to be the vice-chairman of the management committee.

### **3.5 Data collection methods and techniques**

The study applied quantitative data collection methods through use of a questionnaire. The questionnaire had both structured and unstructured questions that are simple and easy to interpret. Structured questions saves time and facilitate easy data analysis of findings while open ended unstructured questions were used to gain in depth information from respondents.

#### **3.5.1 Instrument validity**

'Validity is the accuracy and meaningfulness of inferences, which are based on the research result....it is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study' (Mugenda and Mugenda, 2005).

Content validity was achieved by ensuring that the questionnaire comprehensively covered all issues being researched and therefore provided useful information about the research questions and the variables being measured.

Construct validity was achieved because the results correlated in a predictable way with propositions made earlier about variables in the research study.

### **3.5.2 Reliability of the instrument**

Instrument reliability refers to the level of internal consistency, or the stability of the measuring device (Thorndike and Hagen, 1961). Reliability is said to be stable if it gives consistent results with repeated measurements of the same object with the same instrument.

Cronbach's alpha was used to test the internal reliability of each of the composite constructs.

Internal consistency measure how consistently individual respond to the items within a scale.

A sample questionnaire was distributed to 20 respondents for pilot study. Cronbach's Alpha was then calculated using SPSS. The reliability yielded a coefficient of 0.85. Since the threshold is 0.80 (Mugenda, 2008), this result was sufficient to consider the instrument reliable for data collection.

The researcher also relied on the supervisor's approval of the questionnaire to ensure instrument reliability was achieved.

### **3.6 Data collection procedure**

The researcher consulted with a member of management team of Wana-anga cooperatives and it was agreed that the researcher needed authorization to conduct the study from the chairman of the cooperative. The researcher duly wrote a letter seeking permission to conduct the study from the chairman of the cooperative, who did not hesitate in granting permission for the study to be conducted. Structured questionnaires were administered by the researcher and her assistants, which were then collected back after one week. Both close ended and open ended questions were used in such a way that all the variables under study are tackled.

### **3.7 Data analysis technique**

The questionnaires were collected and cleaned i.e. proof reading which helped ensure consistency in the data. Data was analysed using descriptive statistics. Descriptive statistics consist of graphical and numerical techniques for summarizing data. Descriptive statistics enabled the researcher to reduce a large mass of data to simple and be in a more understandable way, making it easier for an observer to understand the data. The other advantage of descriptive statistics is that they permitted the researcher to describe the information contained in many score with a few indices such as percentages. The influence of independent variable on the dependent variable will be assessed using Pearson, Chi-square tests.

### **3.8 Ethical considerations**

Verbal consent to participate in the study out of one's volition was obtained from all the respondents.

### 3.9 Operationalization of variables

The operational definition of variables describes the independent and dependent variable, measurement indicators of the study as shown in the table 3.1

Table 3.1: Operationalization of variables

	Objective	Variables	Indicators	Measurement	Scale	Data collection method	Data analysis
1	To investigate factors influencing membership retention of Sacco's in Kenya	Dependent:  Membership retention	Years of stay in the Sacco	Duration of stay in the Sacco.	Ratio	Interview	Measures of Central Tendency
No. of active members			Increasing trend of active members	Ratio	Interview		
Satisfaction index			Level of customer satisfaction with the Sacco	Ordinal	Interview	Measures of Central Tendency	
No. of Sacco's membership in the country			Increasing trend of membership in Saccos'.	Ratio	Interview	Measures of Central Tendency	
Amount of share capital in the Sacco's			Increase in trend of share capital invested in Sacco	Ratio	Interview	Percentages	

	Objective	Variables	Indicators	Measurement	Scale	Data collection method	Data analysis
2	Establish the relationship between SACCO act and membership retention levels of Sacco's	<u>Independent:</u> SACCO Act influencing retention of members	Members aware of the SACCO Act  Laws protecting members' deposits  Confidence level with the regulatory body  Opinion of members on the importance of the Sacco act	No. of members aware of the SACCO Act  No. of members aware of these new laws  No. of members confident with the regulatory body to enact Sacco act.  No. of members view on the importance of the Sacco Act	Ratio  Ratio  Ratio	Survey	Measures of Central Tendency  Percentages  MCT and Percentages
3	Find out marketing strategies employed by Wana-anga SACCO	Marketing strategies employed by SACCO's	Marketing strategy that members relate to.	Percentage of most effective marketing strategy  No. of members very	Ratio	Survey	Measures of Central Tendency and Percentage

Objective	Variables	Indicators	Measurement	Scale	Data collection method	Data analysis
		Confidence level of members on the marketing strategy commonly used	confident in the marketing strategy used	Ratio		MCT and Percentages
		Members knowledge on Sacco's website	No. of members aware the Sacco has a website	Ratio		MCT and Percentages
		Members accessibility to the Sacco's website	No. of members accessing the Sacco's website	Ratio		
		Competitive loan products	Members satisfaction level with the SACCO's loan products	Ordinal		MCT and percentages
		Saving services	Members satisfaction level with the saving services.	Ordinal		MCT and percentage

	Objective	Variables	Indicators	Measurement	Scale	Data collection method	Data analysis
4	Determine the range and ease of access to products offered by wana-anaga Sacco	Range and ease of access to products	<p>Loans products available</p> <p>Saving portfolios</p> <p>Fixed deposit portfolio</p> <p>Other products offered</p> <p>Access to the cooperative</p>	<p>No. of members aware of the various loans offered by the cooperative</p> <p>No. of members aware of saving plans offered by the cooperative</p> <p>No. of members aware of fixed deposit services</p> <p>No. of members aware of other products offered</p> <p>No. of members with ease of access to the cooperative</p>	<p>Ratio</p> <p>Ratio</p> <p>Ratio</p> <p>Ratio</p> <p>Ratio</p>	Survey	<p>Measures of Central Tendency and Percentages</p> <p>MCT and percentages</p> <p>MCT and percentages</p> <p>MCT and percentages</p>

	Objective	Variables	Indicators	Measurement	Scale	Data collection method	Data analysis
4	Establish the relationship between organizational structure and membership retention levels of wana-anga Sacco	Organizational structure	Annual general meetings	No. of members who attend the AGM	Ratio	Survey	Measures of Central Tendency and Percentages
			Decision making process	Members confidence level in the decision making process	Ratio		MCT and percentages
			Management team	No. of members confident with the process of electing management team	Ratio		MCT and percentages
			Opinion on management style	Opinion of members on management style of cooperatives	Ratio		MCT and percentages

## **CHAPTER FOUR**

### **DATA ANALYSIS, PRESENTATION AND INTERPRETATION**

#### **4.1 Introduction**

This chapter represents the summary of analyzed data. The results are presented based on the objective of the study which sought to establish the factors influencing membership retention in Sacco's in Nairobi province. The results have been organized under the following categories; demographic, influence of SACCO Act on membership retention, influence of marketing strategy on membership retention, influence of products and their accessibility to membership retention and finally influence of Sacco organizational structure on membership retention.

The data was analyzed using descriptive statistics with the help of statistical package for social sciences. The data is presented using tables and percentages.

#### **4.2 Instrument Return Rate**

205 questionnaires were administered to active Wana-anga members. All questionnaires were returned which translates to 100% response rate. The return rate is statistically representative, therefore enhancing generalization of the research results.

#### **4.3 Social Demographic Data**

This section describes the demographic characteristics of respondents who participated in this study. The researcher investigated the following demographic characteristics: age, gender, and employer.

### 4.3.1 Gender distribution of respondents

Table 4.1 Gender among respondents

	Frequency	Percent	Cumulative Percent
male	113	55.1	55.1
female	92	44.9	100.0
Total	205	100.0	

The gender representation of the respondents was slightly skewed with men being more than the women by 10%.

Table 4.2: Cross-tabulation of gender and membership duration

		Membership duration				
		1-9	10-19	20-29	<30	total
Gender	male	17	47	37	12	113
		8.3%	22.9%	18.0%	5.9%	55.1%
	female	48	32	10	2	92
		23.4%	15.6%	4.9%	1.0%	44.9%
Total		65	79	47	14	205
		31.7%	38.5%	22.9%	6.8%	100.0%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	38.539 <sup>a</sup>	3	.000
Likelihood Ratio	40.540	3	.000
N of Valid Cases	205		

A cross tabulation of gender and membership duration found that there's an increasing trend of female members in the SACCO, and since the significant probability is less than 0.01, then the results can be generalised to the whole population under study.

### 4.3.2 Age-groups

Table 4.3: Age groups within the respondents

		Frequency	Percent	Cumulative Percent
Years	21-30	24	11.7	11.7
	31-40	56	27.3	39.0
	41-50	92	44.9	83.9
	51>	33	16.1	100.0
Total		205	100.0	

A proportion of 12% of members surveyed were aged between 20 and 30 years. The age group ranging 41-50 makes the bulk of Wana-anga membership. The cumulative of 20-40 years is still less than those between 41-50years. Results also showed that only 16% of the membership was over 50 years old.

### 4.3.3 Employment Status

Cross-tabulation on employment status and gender found that there were more women than men engaged as members of the SACCO from both the private sector and self-employed categories. There were more males than women in the civil service category.

Since the significance probability of this cross-tabulation is less than 0.01 then these results can be generalised to the whole population to mean there are more women from the private sector getting involved in SACCOs

Table 4.4: cross-tabulation of employment category and gender

Category of employment

		private			Others (students, unemployed)	TOTAL
		civil servant	sector	self employed		
Gender	male	94	14	2	3	113
		45.9%	6.8%	1.0%	1.5%	55.1%
	female	45	28	17	2	92
		22.0%	13.7%	8.3%	1.0%	44.9%
Total		139	42	19	5	205
		67.8%	20.5%	9.3%	2.4%	100.0%

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	32.169 <sup>a</sup>	3	.000
Likelihood Ratio	34.006	3	.000
N of Valid Cases	205		

#### 4.4 Evidence of membership retention in Wana-anga SACCO

##### 4.4.1 Membership duration

Results showed that over 70% of Wana-anga members have been with the organization for close to 20 years, which has meant stability for the organization in the form of continuous share remittances which enhance SACCO stability.

*Table 4.5: membership duration*

		Frequency	Percent	Cumulative Percent
Valid	1-9	65	31.7	31.7
	10-19	79	38.5	70.2
	20-29	47	22.9	93.2
	<30	14	6.8	100.0
Total		205	100.0	

##### 4.4.2 Age-group and membership duration

*Table 4.6: cross tabulation of age group and membership duration*

		1-9	10-19	20-29	<30	
Age group (years)	21-30	24	0	0	0	24
		11.7%	.0%	.0%	.0%	11.7%
	31-40	18	36	2	0	56
		8.8%	17.6%	1.0%	.0%	27.3%
	41-50	22	38	30	2	92
		10.7%	18.5%	14.6%	1.0%	44.9%
	<51	1	5	15	12	33
		.5%	2.4%	7.3%	5.9%	16.1%
Total		65	79	47	14	205
		31.7%	38.5%	22.9%	6.8%	100.0%

#### Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	145.062	9	.000
Likelihood Ratio	141.085	9	.000
N of Valid Cases	205		

The Chi-Square value for the association between age-group and duration of stay at the SACCO has a significance probability less than 0.01 showing the association found in the data is significant thus it is evident that there's an association between the variables of age-group and duration of stay at the SACCO. This can then be generalized to mean the older a member is, the longer his/her duration in the SACCO thus evidence of retention levels within the SACCO.

#### 4.4.3 Analysis of Gender and Monthly Share Contribution

Table 4.7: Cross tabulation of gender and monthly share contribution

		Share contribution				
		500-999	1000-1499	1500-1999	<2000	Total
Gender	male	11	68	15	19	113
		5.4%	33.2%	7.3%	9.3%	55.1%
	female	6	50	21	15	92
		2.9%	24.4%	10.2%	7.3%	44.9%
Total		17	118	36	34	205
		8.3%	57.6%	17.6%	16.6%	100.0%

#### Chi-Square Tests

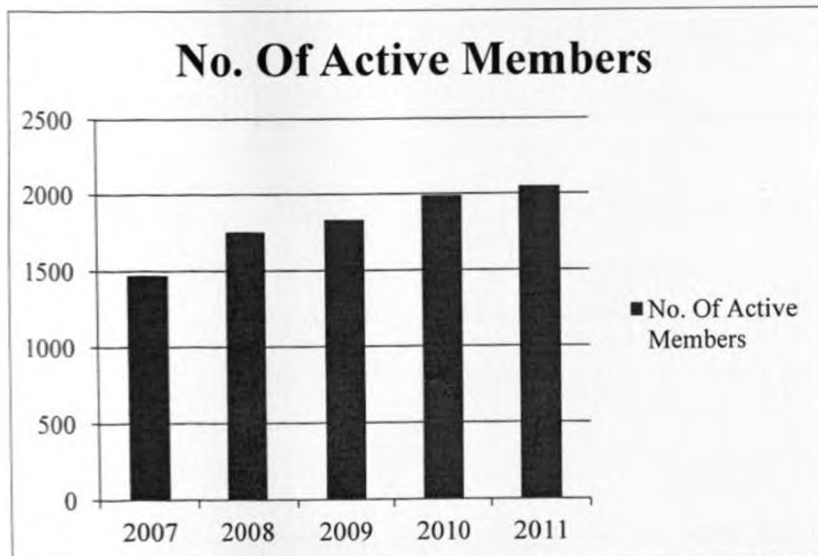
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	3.573 <sup>a</sup>	3	.311
Likelihood Ratio	3.570	3	.312
N of Valid Cases	205		

Members' contribution is almost proportional between the sexes. There are twice as more members contributing more than Kshs 2000 than those contributing less than Kshs. 1000.

Since the significant two tailed value is greater than .05 then there is no statistically significant correlation between the two variables i.e increases or decreases in the gender variable does not significantly relate to increase or decreases in the amount contributed as shares.

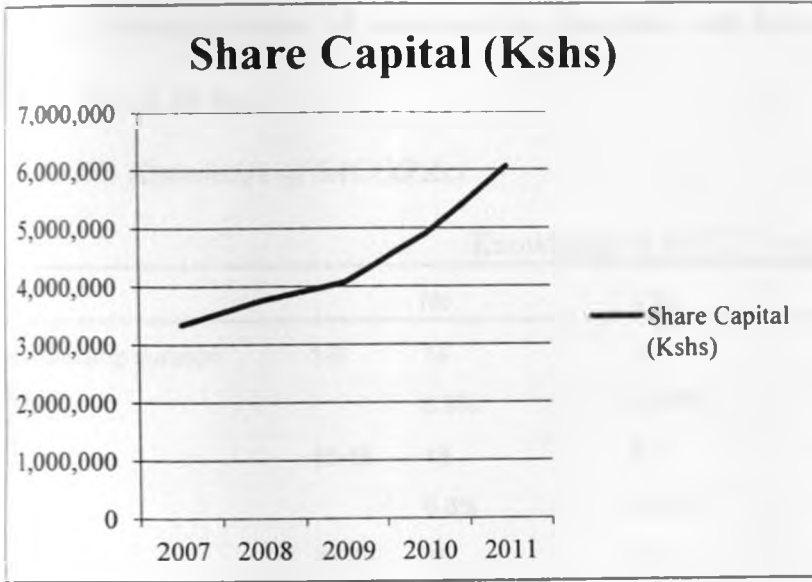
#### 4.4.4 Active members over five year period

Figure 3: bar graph showing growth of active members over the years



#### 4.4.5 Share contribution over five years

Figure 4: line graph showing increase in share contribution over five years



## 4.5 SACCO ACT INFLUENCE ON MEMBERSHIP RETENTION LEVELS

### 4.5.1 Cross-tabulation of membership duration and knowledge by members of the SACCO Act

Table 4.8: Knowledge of SACCO Act

		Knowledge of SACCO Act		
		No	Yes	Total
Membership duration (years)	1-9	14 6.8%	51 24.9%	65 31.7%
	10-19	13 6.3%	66 32.2%	79 38.5%
	20-29	16 7.8%	31 15.1%	47 22.9%
	<30	6 2.9%	8 3.9%	14 6.8%
Total		49 23.9%	156 76.1%	205 100.0%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.030 <sup>a</sup>	3	.045
Likelihood Ratio	7.695	3	.053
N of Valid Cases	205		

76 percent of total respondents sampled are conversant with the SACCO Act while 24% are not. Majority of respondents with knowledge on SACCO Act have been with the cooperative for 10-19 years, while those without knowledge on the Act have been at the SACCO for a longer period of time.

The association found in this sample data is significant because the significant probability is less than .05 thus there's evidence of an association between membership duration and

knowledge of regulatory body SASRA. Generalised to the total population these findings suggest that those whose duration at the SACCO is recent are more conversant with the SACCO Act than their counterparts who have stayed longer at the SACCO.

**4.5.2 Confidence levels in the SACCO Act**

*Table 4.9: Confidence index level in the SACCO Act*

		Confidence index			
		not confident	fairly confident	very confident	Total
Membership	1-9	1	25	39	65
Duration (years)		.5%	12.2%	19.0%	31.7%
	10-19	2	25	52	79
		1.0%	12.2%	25.4%	38.5%
	20-29	1	21	25	47
		.5%	10.2%	12.2%	22.9%
	<30	0	4	10	14
		.0%	2.0%	4.9%	6.8%
Total		4	75	126	205
		2.0%	36.6%	61.5%	100.0%

Half of the respondents sampled are very confident in the SACCO Act to ensure sustainability. Very few members are sceptic about the ability of the SACCO Act to ensure SACCO sustainability. This means that the members are sure if the rules and regulations as stated in the Act are followed then their investment in the SACCO is secure.

### 4.5.3 SACCO Act influence on member retention

Table 4.10: Importance of SACCO Act

		Opinion index		
		fairly important	very important	Total
Membership duration (years)	1-9	11 5.4%	54 26.3%	65 31.7%
	10-19	16 7.8%	63 30.7%	79 38.5%
	20-29	5 2.4%	42 20.5%	47 22.9%
	<30	5 2.4%	9 4.4%	14 6.8%
Total		37 18.0%	168 82.0%	205 100.0%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.014	3	.000
Likelihood Ratio	4.749	3	.000
N of Valid Cases	205		

Findings on table indicate that 82 percent of all respondents believe the Sacco Act influences their retention in the SACCO. We may thus summarise that respondents feel safe in the presence of legislation when they know that their investments are secured. There is a significant association between the two variables because the significance probability is less than 0.01, thus the findings can be generalised to the total population. It is therefore true to say that most members believe the presence of the SACCO Act greatly influence their stay in the SACCO.

## 4.6 MARKETING STRATEGIES

### 4.6.1 Highly practiced marketing strategy

Table 4.11: Highly practiced marketing strategy

		Marketing strategy			
		website	word of mouth	educational forums	total
Age group (years)	21-30	2	19	3	24
		1.0%	9.3%	1.5%	11.7%
	31-40	7	44	5	56
		3.4%	21.5%	2.4%	27.3%
	41-50	11	74	7	92
		5.4%	36.1%	3.4%	44.9%
	<51	4	25	4	33
		2.0%	12.2%	2.0%	16.1%
Total		24	162	19	205
		11.7%	79.0%	9.3%	100.0%

Respondents were asked which strategy works to market the SACCO most effectively and 79 percent indicated word of mouth. 12 percent thought it was through the website run by the organization whereas 17 percent thought educational forums organized by the Sacco were most effective in marketing the SACCO's products and services. The organization though has had a website running since 2009 but results from the respondents show that only 22percent have access to the website while 78 percent have no access and have never visited the site. This may be due to lack of access to internet facilities by the members.

### 4.6.2 Members confidence level in marketing strategy

The cross- tabulation of age-group in the SACCO and level of confidence in the marketing strategy being used has unveiled that most of those who are fairly confident in the marketing

strategy of the SACCO are between 41-50 years of age. The youngest members of the SACCO are not confident in the SACCO's marketing strategy.

*Table 4.12: Confidence index levels in marketing strategy*

		Confidence Index		
		not confident	fairly confident	Total
Age group (years)	21-30	10	14	24
		4.9%	6.8%	11.7%
	31-40	30	26	56
		14.6%	12.7%	27.3%
	41-50	37	55	92
		18.0%	26.8%	44.9%
	<51	14	19	33
		6.8%	9.3%	16.1%
Total		91	114	205
		44.4%	55.6%	100.0%

### 4.6.3 Marketing strategy and membership retention in SACCO

*Table 4.13: Opinion index of marketing strategy on retention levels.*

		Opinion Index			
		not important	fairly important	very important	total
Age group (years)	21-30	1	17	6	24
		.5%	8.3%	2.9%	11.7%
	31-40	9	38	9	56
		4.4%	18.5%	4.4%	27.3%
	41-50	15	58	19	92
		7.3%	28.3%	9.3%	44.9%
	<51	6	24	3	33
		2.9%	11.7%	1.5%	16.1%
Total		31	137	37	205
		15.1%	66.8%	18.0%	100.0%

67 percent of respondents believe a marketing strategy is fairly important in ensuring retention levels in the SACCO. Only 18percent believe a marketing strategy is important in ensuring they stay in the SACCO. This means the respondents are not aware of the benefits and the ability of a marketing strategy in achieving retention levels in the SACCO

## 4.7 Range and ease of access to products offered by the SACCO

### 4.7.1 Members access to SACCO's products

Table 4.14: members' access to SACCO products

access to SACCOs' products					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	205	100.0	100.0	100.0

Results from the research reveal that all, respondents have access the SACCO's products

### 4.7.2 Comparison of SACCO services with other financial institutions

Table 4.15: Satisfaction index of SACCO services against other financial institutions

		Satisfaction Index			
		fair	good	excellent	total
Membership duration (years)	1-9	9 4.4%	48 23.4%	8 3.9%	65 31.7%
	10-19	7 3.4%	53 25.9%	19 9.3%	79 38.5%
	20-29	8 3.9%	33 16.1%	6 2.9%	47 22.9%
	<30	2 1.0%	9 4.4%	3 1.5%	14 6.8%
Total		26 12.7%	143 69.8%	36 17.6%	205 100.0%

Majority of the respondents believe SACCO services are good compared to other financial institutions while 18 percent believe the services they obtain are excellent.

Service delivery in most service providing organization has been a contentious issue thus most respondents have faith with the staff of the cooperative, meaning the staff is qualified and competent to perform their duties.

### 4.7.3 Most popular SACCO product

Table 4.16: Most popular SACCO product

		Products				
		Loans	benevolent fund	medical cover	Fixed deposit plan	Total
Gender	male	84	0	9	20	113
		41.0%	.0%	4.4%	9.8%	55.1%
	female	61	1	6	24	92
		29.8%	.5%	2.9%	11.7%	44.9%
Total		145	1	15	44	205
		70.7%	.5%	7.3%	21.5%	100.0%

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.497 <sup>a</sup>	3	.001
Likelihood Ratio	7.863	3	.001
N of Valid Cases	205		

Loans offered by SACCO's have largely influenced membership retention and this study validated the same, where 71percent of the respondents regularly benefit from and access the loan facility offered by the SACCO. Ladies investing in fixed deposit plan are more than their male counterparts, while both genders do not seem to be keen on the benevolent fund. The significance probability is at less than .01, meaning there is a significant association between gender and SACCO products which can be generalised in the whole population under study to mean that is the general behaviour pattern as far as SACCO products are concerned.

#### 4.7.4 Factors influencing decision to secure SACCO loan

Interest rate comes out strongly as the factor influencing members to take up loans with the SACCO. This is not surprising as SACCOs tend to issue loans at interest rates lower than other financial institutions because their capital is sourced from the members' themselves. Flexible repayment period is considered the second most important factor influencing acquisition of SACCO loans with absence of collateral and categories of loans available following next.

Significance probability of the chi-square test is less than 0.01 meaning the findings can be generalised to apply to the population under study i.e. SACCO members are highly influenced to acquire SACCO loans due to the subsidised interest rates.

Table 4.17: Influencing factor to loan acquisition from the SACCO.

		Influencing factor				
		interest charged	absence rate asset collateral	of flexible repayment period	different categories of loans available	
Age group (years)	21-30	13	4	5	2	24
		6.3%	2.0%	2.4%	1.0%	11.7%
31-40		38	10	6	2	56
		18.5%	4.9%	2.9%	1.0%	27.3%
41-50		56	10	15	11	92
		27.3%	4.9%	7.3%	5.4%	44.9%
<51		22	3	2	6	33
		10.7%	1.5%	1.0%	2.9%	16.1%
Total		129	27	28	21	205
		62.9%	13.2%	13.7%	10.2%	100.0%

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	10.527 <sup>a</sup>	9	.000
Likelihood Ratio	11.175	9	.000
N of Valid Cases	205		

**4.7.5 Influence of loan availability on retention**

74 percent of respondents strongly agree that their continued membership at the SACCO is greatly influenced by the availability of loans. SACCO's usually charge their loans at interests rates lower than commercial banks because the capital fund for the loans is drawn from members share contribution. 26 percent indicate that availability of loans influences their continued membership but it is not the only factor that influences their stay in the SACCO.

The statistical test show that there is no association between the variables because the significance probability is more than 0.05 thus the observed results do not vary from the expected results.

*Table 4.18: Opinion index on influence of SACCO loans on retention*

		Opinion Index		
		agree	strongly agree	total
Age group (years)	21-30	9	15	24
		4.4%	7.3%	11.7%
	31-40	14	42	56
		6.8%	20.5%	27.3%
	41-50	24	68	92
		11.7%	33.2%	44.9%
	<51	6	27	33
		2.9%	13.2%	16.1%
Total		53	152	205
		25.9%	74.1%	100.0%

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.735 <sup>a</sup>	3	.434
Likelihood Ratio	2.684	3	.443
N of Valid Cases	205		

### 4.7.6 Influence of benevolent fund on retention levels

Table 4.19: Opinion index on benevolent fund

		Opinion index				
		strongly disagree	disagree	agree	strongly agree	
Gender	male	4	55	51	3	113
		2.0%	26.8%	24.9%	1.5%	55.1%
	female	5	53	33	1	92
		2.4%	25.9%	16.1%	.5%	44.9%
Total		9	108	84	4	205
		4.4%	52.7%	41.0%	2.0%	100.0%

### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.884 <sup>a</sup>	3	.410
Likelihood Ratio	2.927	3	.403
N of Valid Cases	205		

Members do not highly value benevolent fund and would not stay in the society because of this product. Those who agree are 41 percent and only 21 percent strongly agree that this product would influence their stay in the SACCO. This result may be due to the prevailing

culture where most Kenyans are not ready to make arrangements for themselves and their loved ones in case they pass away. Benevolent takes care of burial arrangements for those covered.

The significance probability of the chi-square tests is more than 0.05 therefore these findings cannot be generalised to the whole population.

#### 4.7.7 Medical fund as an influence on retention level in the SACCO

Table 4.20: Opinion index on influence of medical fund on retention levels

		Opinion Index			
		Strongly disagree	disagree	agree	total
Membership duration (years)	1-9	4 2.0%	39 19.0%	22 10.7%	65 31.7%
	10-19	4 2.0%	36 17.6%	39 19.0%	79 38.5%
	20-29	4 2.0%	15 7.3%	28 13.7%	47 22.9%
	<30	1 .5%	7 3.4%	6 2.9%	14 6.8%
Total		13 6.3%	97 47.3%	95 46.3%	205 100.0%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.367 <sup>a</sup>	6	.000
Likelihood Ratio	9.559	6	.000
N of Valid Cases	205		

The influence of the medical fund facility is almost evenly distributed between those who agree and those who disagree on its influence on membership retention. 6 percent of

respondents strongly disagree that medical fund would influence their stay in the SACCO. No member strongly agrees on the influence of the medical scheme on retention levels in the SACCO. The findings can be generalised to the entire population which means all SACCO members have mixed feelings about the importance of Medical fund and are not sure if this factor is strong enough to warrant their stay in the SACCO.

#### 4.7.8 Influence of the fixed deposit plan on retention levels in the SACCO

The investment influence is biased in favour of the males with 55 percent of them agreeing and strongly agreeing that investing in fixed deposit is influencing their stay in the SACCO. Ladies trail behind with 45 percent.

Table 4.21: Opinion index of influence of fixed deposit plan on retention levels

		Opinion Index		
		agree	strongly agree	Total
Gender	male	68	45	113
		33.2%	22.0%	55.1%
	female	62	30	92
		30.2%	14.6%	44.9%
Total		130	75	205
		63.4%	36.6%	100.0%

#### Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.915 <sup>a</sup>	3	.405
Likelihood Ratio	3.002	3	.391
N of Valid Cases	205		

The probability significance is more than .05, so findings on influence of fixed deposit plan on SACCO members' cannot be generalized to the whole study population.

## 4.8 Organization structure of SACCO's and its influence on retention levels

### 4.8.1 Attendance of SACCO meetings

Table 4.22: AGM attendance

		AGM attendance		
		no	yes	Total
Age group (years)	21-30	4	20	24
		2.0%	9.8%	11.7%
	31-40	9	47	56
		4.4%	22.9%	27.3%
	41-50	15	77	92
		7.3%	37.6%	44.9%
	<51	6	27	33
		2.9%	13.2%	16.1%
Total		34	171	205
		16.6%	83.4%	100.0%

83 percent of the respondents regularly attend the Annual General Meetings. This is a good turnout out considering that most SACOO decisions are endorsed during AGM's, and SACCO's are member owned organizations. This means SACCO members are very keen on meetings called for by the management on which members should participate so as to ensure decisions that will promote the welfare of the members are made. The highest percent of members who do not attend the AGM's are in the 41-50 age-group.

### 4.8.2 Level of participation in decision making process during AGM.

None of the sampled respondents highly participates in the decision making process of the SACCO. 74 percent of respondents involve themselves moderately while 26 percent do not involve themselves at all. Out of the 83 percent respondents who attend the AGM, 26 percent do not participate in the decision making process, meaning a lot of decisions made in the AGM are not necessarily views of the members.

*Table 4.23: level of participation in SACCO's decision making process*

		Level of participation		
		not involved	moderately involved	
AGM attendance	no	5	29	34
		2.4%	14.1%	16.6%
	yes	48	123	171
		23.4%	60.0%	83.4%
Total		53	152	205
		25.9%	74.1%	100.0%

### 4.8.3 Confidence Level in the election process

*Table 4.24: confidence levels in election process*

		Confidence levels		
		not confident	moderately confident	Total
AGM attendance	no	11	23	34
		5.4%	11.2%	16.6%
	yes	44	127	171
		21.5%	62.0%	83.4%
Total		55	150	205
		26.8%	73.2%	100.0%

Out of the 83 percent of members who attend the AGM 22 percent are not confident in the election process while 62 percent are moderately confident in the election process of the management team. None of the respondents is confident in the process, meaning there is a flaw in the election process. The lack of confidence in election of management teams also applies to those who do not attend the AGM, of which 5 percent have no confidence in the election process while 11 percent are moderately confident.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS.

#### 5.1 Introduction

The study aimed at investigating factors that influence membership retention in savings and credit cooperatives. This chapter highlights a summary of findings, conclusions and recommendations which are meant to enhance the retention of members in SACCOs.

#### 5.2 Summary of Findings

Wana-anga's bulk membership is of an age nearing retirement. There should be plans to target the younger generation with products and promotions to induce them to join the SACCO.

The SACCO membership is also predominantly drawn from the civil service due to the convenience of the check off system for contributions and recovery of remittances. Due to technological advancement this should be extended to those employed in the private sector through use of direct debit services offered by most banks.

##### 5.2.1 Sacco Act influence on membership retention

Majority of the respondents, have knowledge of the SACCO Act which regulates SACCOs' through the regulatory body SASRA. Respondents' who have been in the SACCO between 10-19 years rated highest on knowledge of the Act. The same range of duration also rated highest as far as confidence level in the Act was concerned. The highest number of respondents confident with the Act, corresponds to those most knowledgeable on the Act.

Cross-tabulation of age-groups and confidence levels in the SACCO Act shows that 62 percent of the respondents were very confident that the SACCO Act is able to regulate the SACCO to ensure sustainability and profitability. It is important for the SACCO to remain regulated by SASRA as this ensures its credibility and enable it enter into contracts with other organizations e.g. Banks. The 37 percent who were fairly confident, may raise their concerns to be addressed through educational forums.

Conclusively though, 82 percent believe that the presence of the SACCO Act is a very important influence on their decision to remain in the SACCO. This confirms that SACCO Act is a positive influence on membership retention of SACCOs.

Generally everyone is assured when they know there is proper legislation governing an organization they belong to, especially one that has custody over their finances.

## **5.2.2 Marketing strategies practiced by the SACCO and its effectiveness**

Out of the listed marketing strategies in the questionnaire, respondents were able to identify with use of website, word of mouth and educational forums as the commonly used methods of marketing. The highly practiced was word of mouth at 79 percent of all respondents.

In the analysis of age-groups, all levels rated word of mouth highest, with the majority falling within the 41-50 age bracket. This same age bracket felt fairly confident with the strategy effectiveness, though almost half the respondents did not have confidence in this marketing strategy to effectively market the SACCO.

It worth noting that among respondents who considered the website as an effective marketing strategy, most came from the 21-30 age-group. This means the young are increasingly using technology and thus any company targeting this age bracket should embrace technology. It is equally true that the internet is increasingly being used as a marketing tool with effective results.

Marketing, though, was not considered a very important influence in ensuring membership retention in the SACCO with only 37 percent considering it as a very important influence.

### **5.2.3 Range of products and accessibility**

All respondents unanimously agreed they were able to access the products offered by the SACCO. The research then sought to find out how the respondents rate SACCO services in comparison with other financial institutions and majority thought the services were good with 18 percent considering the services as excellent. This means the SACCO should find out gaps existing in its provision of services to members and develop ways to fill these gaps, because members can access the SACCO's products but there are other services that they believe are handled better by other financial institution.

The most benefiting product to the respondents was availability of loans which was rated highest at 71 percent and this is largely due to the low interest rates that SACCO members enjoy from their SACCO's as seen in the cross-tabulation analysis of age and factor influencing decision to take a loan from the SACCO. The report also found that there were more of the male gender taking loans than there was the female gender. The number of female respondents investing in fixed deposit was found to be higher than that of male. This means ladies are continuing to take keen interest in financial investment.

The fixed deposit plan was considered second most benefiting product and this is largely due to the accruing monetary benefits associated with keeping money in a fixed deposit plan. 37 percent of the respondents agreed that fixed deposit plan would influence their stay in the SACCO and this low figure may be due to the fact that the fund has a minimum balance that a member should have before they qualify to invest.

The medical cover and benevolent were not considered highly by the respondents as benefiting products. The medical fund received mixed reactions with most respondents either agreeing or disagreeing that it influences their retention in the SACCO. Biasness may lead those who have benefited from the fund to agree that it influences their stay while those disagreeing may consider the limitation of the fund. Such limitations include the fact that the fund only works for in-patient and has a ceiling. The fund also does not cover maternity. The lack of popularity with the benevolent fund may be due to the prevailing culture where most Kenyans are not ready to make arrangements for themselves and their loved ones in case of bereavement.

Respondents strongly agreed that the availability of the loan product has an influence on the retention level of members. 26 percent agreed, meaning they may have other reasons that keep them in the SACCO apart from access to loans.

#### **5.3.4 Organization structure of SACCOs**

The research found that majority of respondents attend AGMs'. This means SACCO members are keen to be part of decisions concerned with their welfare. Unfortunately the study also found that none of the respondents highly participates in the decision making

process. 74 percent moderately participate while 26 percent do not participate at all. This means a lot of decisions made at these AGMs' are not views of the members.

Consequently out of the 83 percent of respondents who attend AGMs', 22 percent are not confident with the elections while 62 percent are moderately confident. The lack of confidence in the election of management team also applies to those who do not attend AGMs' where 5 percent have no confidence while 11 percent moderately confident.

Management teams of the SACCO's come from among members through electing one of their own to become part of the management committee. Elections are therefore very crucial in Sacco's as they determine the team that will lead the organization.

### 5.3 Discussion of the Findings

Regulation systems for an organization is an important attribute as it increases credibility of the organization among its customers. Majority of SACCO members are conversant with the operations of the regulatory body in enforcing the SACCO Act and are therefore conversant with the SACCO Act. These findings collaborates the research done by of East African Farmers Cooperative, (2010) who concluded that a model Act should be one that freely enhances the individual members of the SACCO to have ownership over their society through being aware of their rights as members.

Presence of a SACCO Act means members are able to save more because they are confident there is a law regulating the organization acting as custodian to their savings. The members also know they will get better financial services by virtue of Wana-anga operating under the SACCO Act, and there will also be effective governance mechanisms and lower risks of SACCO mismanagement.

Word of mouth has been defined as the act of consumers providing information to other consumers about products or services. Though still a very new tool in marketing, organizations using it have to work hard to make the consumer happy and only then can it be easier for them to tell their friends about the organization's products.

Wana-anga has made this strategy easy for their members by the yearly educational forums they conduct, where they educate their members on products and services offered. Their performance has also been exceptional over the years and they recently were awarded the highest dividend paying SACCO in the country for the fifth time in a row.

The SACCO is taking advantage of word of mouth strategy to ensure its products and services are marketed to potential members. According to Ferrel, (2008) a strategic marketing plan is not only a process for achieving organizational goals but also a means of building long term relationships with customers with the intention of retaining them. He also says that people change and a strategy that works today might not work tomorrow. Word of mouth is a strategy is being used without guidelines and policies and this can work against the SACCO. There are also no control processes in place to gauge performance of this strategy.

The members though are not confident with the marketing strategy being used since it is not a budgeted item in the SACCO's books therefore word of mouth may be working for the SACCO by default. This collaborate Cattell and Boaden's findings, (1999) who expressed concern that despite the wide variety of SACCOs and SACCO markets, there appeared to be little understanding of how to tackle marketing structures and capacity to implement marketing initiatives were lacking. Ferrel (2011) adds that people change and a strategy that works today might not work tomorrow.

It is therefore necessary to sensitize the SACCO on the importance of a planned marketing strategy for any organizations to achieve great retention levels. Marketing is also able to reach to the greater public in offering the organizations products thus allay any fears or misconceptions the public may have about the organization.

SACCOs should offer incentives to increase deposits e.g. offer higher interest rates for larger balances. Premium interest rates on growing new accounts also serve to attract new savers to the institution. The organization can also hold lotteries periodically to maintain incentives for savers which will be accompanied with much needed publicity. The most effective lotteries

provide incentives not only for increasing account balances, but also for maintaining them e.g where savers require a minimum balance to participate, they are likely to maintain higher account balances over the time

Posters and brochures that outline the range of products offered should be displayed prominently at the reception and teller counters. Members need to be continuously informed and reminded of the products available so that they can pass this information to potential SACCO members.

Technology has made marketing easier and it is now possible to reach larger audiences with one's product. Wana-anga has a website and this will be a great way for the SACCO to communicate with its members as well as potential members. This collaborates what Kaynak (2003) said about financial services firms having to discard conventional way of advertising and seek out the most effective ways to increase productivity and penetrate their target market. Marketing via web-sites can be very challenging as the site manager has to update the website regularly and ensure an interactive site where visitors are able to view announcements and upcoming events as soon as they are decided. The organization should also encourage a culture where its customers and staff are encouraged to communicate to the organization via the web-site.

Aggressive marketing should also be used to create awareness in products that do not seem to be popular with the members' e.g benevolent and medical fund schemes. This will ensure members increase their contributions to these schemes as they continue to see the value attached to subscribing these schemes

SACCO's have to ensure they provide an increased array of products such as insurance, develop their own cards and network with other financial institutions. These products will ensure that SACCOs increasingly provide products that ensure SACCOs get more business from its members and be attractive to new members. Wright (2004) says the value of retaining clients is particularly clear in financial institutions

SACCOs' must ensure their sustainability through adequate capital while continuing to serve the communities through demand driven products without necessarily being philanthropic organizations. SACCO members have always demonstrated a strong sense of belonging and loyalty to their SACCO's and this should be upheld to ensure retention levels are sustained in SACCO's.

Members generally turnout in large numbers for the AGM as they are owners of the SACCO and should be involved in the decision making process on issues pertinent to the SACCO's success. It is unfortunate that most members attend the AGM but moderately involve themselves in the decision making process while others do not even involve themselves. This means decision made in SACCOs are not views and opinions of members as it should be. This collaborate Fulton's (2001) findings that noted that despite the one person one vote democracy in SACCOs, some members often become more influential in decision making than others. The members are also not confident in the election process and this is disturbing considering that management teams in SACCO's are formed from members electing one amongst them. Lack of confidence in the election process may result in lack of confidence in the management team.

Policies on products provided should be updated regularly in response to market demand so that the SACCO can remain competitive in the market place. The institution should consider the core characteristics of each product, together with associated transaction costs, so that saving products are cost effective for the institution as well as gainful for the saver.

The SACCO may also consider offering a combination of generic products for the market at large and tailored products to address the particular demands of an identified niche e.g car and house loans to attract young people to the society.

#### **5.4 Conclusions**

The following conclusions are based on the findings and analysis of the study.

1. SACCO members are clearly loyal to their SACCOs and believe in investing their money in the SACCO. Unfortunately the number of new members is not as high as would be expected of an organization whose strength lies in the number of members it has. Salaried employees continue to form most of SACCO membership.
2. It is clear that the SACCO Act has a great influence on membership retention levels in SACCOs. Members are aware of the regulatory body and have confidence in the Act to ensure the SACCO is governed well. Marketing strategy completely lacks in SACCO's and should be urgently addressed because retention levels increase with continuous reminder of one's product to the client.
3. The products availed vary in their influence to retention and SACCOs should tailor-make their products to suit their members' needs that way they'll ensure growth as well as high retention levels.
4. SACCO members are not confident with their organizational structure and this is hampering their right to be involved in the decision making process.

## 5.5 Recommendations

To achieve retention levels, SACCO's need to be sensitive to the needs and voice of their members. Members have invested their money in these organizations and have faith that their investment is protected and will accrue returns to them. SACCO's should also be bold and move from their comfort zone within the salaried employees and find ways of incorporating self-employed members of the society in their organizations.

Members are clearly not impressed by the marketing efforts in SACCOs'. Just like any organization, SACCOs should draw up a strategic marketing plan that outlines implementation and control measures that will guide the SACCO to gauge effectiveness of its service to its members. Members have already shown interest in SACCOs using technology to communicate with them and this should be utilised to the maximum.

There is need for SACCOs' to identify the products their customers want and try deliver. Currently most SACCO's try to counter the competitors move, and this is not sustainable. By ensuring they tailor make products to meet their members specifications, then SACCO's will achieve profitability and ensure membership retention.

Issues of mismanagement and poor governance have embroiled the SACCO organizational structure for a long time now and this study was able to note the dissatisfaction of members with the management team and organizational processes. Education levels of those standing for management posts should be clearly spelt out. Once elected these officials should be trained on governance and ethics. SACCOs should also put in place regulations where those in management should not get elected to office once their terms are over.

In conclusion, the various factors this study focussed on have shown varied levels to which they have contributed to retention levels in SACCOs. The list is not conclusive as there are clearly other factors that have ensured retentions levels in SACCOs. Factors that had the highest influence like SACCO Act and products available should be reinforced so that the influence they have does not decrease. Studies have shown marketing strategies do have influential effects on retention and this should be tried in SACCOs.

#### **5i Suggestions for further research**

Membership retention is very important in the sustainability of any SACCO. Factors studied here were limited due to time. Other factors such as the perception of loyalty should be studied with regard to membership retention in SACCOs.

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## APPENDIX I INTRODUCTION LETTER

Nyagengo Christine Owuor

L50/64367/2010

Dear Respondent,

**Re: Introduction letter**

My name is Christine Owuor, a student from the University of Nairobi. I am conducting a research on 'Constraints facing membership growth in Savings and Credit Cooperatives: A case of Wana-anga Sacco, Nairobi. The research is in partial fulfilment of the requirements for the award of Masters of Arts Degree in Project Planning and Management, University of Nairobi.

You have been randomly selected to participate in this research as a respondent, which is entirely on a voluntary basis. Please provide responses to every question in the questionnaire.

I assure you that your responses will be treated with outmost confidentiality and will not be used for any other purposes other than the intended research work.

Thank you for your cooperation and support,

Yours Faithfully,

Christine Owuor Nyagengo

## Appendix II Research Questionnaire

Sir/Madam,

I'm Christine Owuor Nyagengo, a masters student at the University of Nairobi, and I'm carrying out a survey to investigate the factors influencing membership retention of Savings and Credit Cooperatives. I therefore wish to request you to kindly spare some time and answer the questions below as honestly as possible by ticking or filing in the spaces provided. The information given will be purely for institutional development purposes and will be treated confidentially. The findings of the study will enable the management and regulators of SACCO's find ways to retain SACCO membership which is the life of any cooperative

### Instructions:

Please answer the questions to the best of your knowledge

Write your response in the spaces provided

Where applicable, explanations should be precise and clear

Please put a tick ( ) where appropriate

**Questionnaire for investigating factors influencing membership retention in SACCO's:**  
**Case study: Wana-anga Sacco**

**(For management of the SACCO)**

**Section A:**

**Background**

Sex:

Female

Male

Physical Address

.....

Employment Status:

Permanent

Temporary

Self

**Section B:**

**Membership retention levels at Wana-anga**

How many active members does the Sacco have?

.....

How has the membership trend been since the cooperative inception?

.....

What has been the trend in the share capital since the Sacco's inception?

.....

How many branches has Wana-anga opened to serve its members?

.....

How has the Sacco staff been equipped to be able to serve well all its members?

.....

Has the Sacco invested in an information system?

.....

## Questionnaire to members

### Instructions:

Please tick the appropriate answer

Where applicable, explanations should be precise and clear

### Section A:

#### Background information

1. What is your age group?

Below 20  20-30  30-40  above 40

2. Gender:

Female

Male

3. Employment status:

Civil servant  Private sector  Self

Others(unemployed, students)

If answer is others please specify

.....

4. How long have you been a member at Wana-anga?

.....

5. How much do you contribute monthly as shares?

Kshs500  Ksh500-999  Kshs1000-1499  Kshs1500-1999

Kshs<2000

6. How is the contribution done?

Check-Off System  Cash deposit  Cheque deposit

7. How would you rate services offered by the Sacco compared to other Financial institutions?

Excellent  V. Good  Fair  Poor  V. Poor

**Section B.**

**Sacco act influencing growth of members:**

1. Are you conversant with the Sacco regulatory body SASRA?

YES

NO

2. Are you aware that Sasra is responsible for enacting the Sacco Act?

YES

NO

3. How confident are you with the Sacco Act in ensuring sustainability of the Sacco?

Very Confident  Confident  Fairly confident

Not confident

4. How important to you is the Sacco Act in ensuring your stay at the Sacco?

Very Important  Important  Fairly important  Not important

**Marketing strategies influence on growth levels of Wana-anga**

6. Which among the following is the most effective marketing strategy used by Wana-anga?

Brochures  Website  Word of Mouth  Educational Forum

7. How confident are you with this strategy to clearly inform and educate you on new products availed by the Sacco

Very Confident  Confident  Fairly confident  Not confident

8. Do you think Wana-anga undertakes effective marketing of itself?

Yes

No

9. Do you access the cooperative website?

Yes

No

10. How important to you is a marketing strategy in ensuring your stay with the Sacco?

Very Important  Important  Fairly important  Not important

**Range and ease of access to the products offered by the Sacco.**

11. Do you access Wana-anga's products?

Yes  No

12. What products do you benefit mostly from the Sacco?

Loans  Benevolent fund

Medical cover

Fixed deposit plan

Others please indicate.....

13. Which factor highly influences your decision to take a loan from wana-anga

Interest rate charged  Absence of asset collateral  Flexible repayment period

Different categories of loans available

14. Does the availability of loans influence you being a member of wana-anga?

na-anga undertakes effective marketing of itself?

the cooperative website?

to you is a marketing strategy in ensuring your stay with the Sacco?

 Important  Fairly important  Not important 

ness to the products offered by the Sacco.

Wana-anga's products'

No

do you benefit mostly from the Sacco?

 Benevolent fund  plan 

indicate.....

highly influences your decision to take a loan from wana-anga

 Absence of asset collateral  Flexible repayment period  of loans available 

liability of loans influence you being a member of wana-anga?

Strongly agree  Agree  Disagree  Strongly disagree

13. Does the availability of the benevolent fund influence your stay in Wana-anga?

Strongly agree  Agree  Disagree  Strongly disagree

14. Does the availability of a medical cover influence your stay in Wana-anga?

Strongly agree  Agree  Disagree  Strongly disagree

15. Does the availability of a fixed deposit plan influence your stay in Wana-anga?

Strongly agree  Agree  Disagree  Strongly disagree

16. Apart from your share contribution do you save with the cooperative?

YES

NO

17. Does the availability of the saving plan influence your stay in Wana-anga?

Strongly agree  Agree  Disagree  Strongly disagree

18. How do you communicate with the Sacco?

Postal services  Email

Walk-in  Telephone

Counter services

19. Is this mode of communication effective for you?

Highly effective  Effective  not effective  Highly ineffective

20. How effective is the service delivery from the staff and officials?

Highly effective  Effective  Not effective

Highly ineffective

**Mode of management influence on membership growth**

19. Do you regularly attend the AGM?

YES

NO

21. Do you feel involved in the decision making process?

Strongly involved  Involved  Un-involved

Strongly un-involved

23. Do you have confidence with the staff of Wana-anga?

YES

NO

24. Cooperatives elect from amongst them members who then make up the cooperative management committee.

Are you confident with the election process of selecting committee members?

Very confident  Fairly confident  Not confident

26. How confident are you with the Sacco's organizational model to steer the Sacco?

Very confident  Confident  Fairly confident  Not confident

Thank You for taking your time to fill this questionnaire.

SACCO

Christine Owuor Nyagengo,  
P.O Box 30259,  
Nairobi.  
M/no 1751  
13<sup>th</sup> February 2012.

UNIVERSITY OF NAIROBI  
KIKUYU LIBRARY  
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KIKUYU

The Chairman,  
Wana-anga Cooperative Saving and Credit Society,  
P.O BOX 34680,  
Nairobi.

Dear Sir,

**REF: Permission to conduct research project using Wana-anga as Case Study:**

I'm an employee of Kenya Meteorological Department as well as a member of Wana-anga Sacco undertaking a Masters degree in Project Planning and Management at the University of Nairobi and would like to conduct my research project on cooperatives movement using Wana-anga as focus of my research.

The topic of my proposed research project is: **Factors influencing membership retention in savings and credit co-operative societies.**

The objectives seek to find out if:

- the SACCO Act has an influence on the membership retention
- marketing strategies employed by SACCOs'
- the range and ease of access to products offered by SACCO's is influencing membership retention
- SACCO's organization structure influences membership retention.

Why Wana-anga:

1. Wana-anga cooperative has managed to grow beyond its initial target which was the salaried civil servants and has managed to uphold sound financial returns and offer competitive dividends to its shareholders. it is therefore of interest to the management to find out how this competitive edge can be maintained for the interest of the shareholders.
2. Secondly, proven information acts as a base for good decision making. This study offers to unveil statistics that can then be used by management for decision making in ensuring retention of members in the cooperative.
3. Thirdly, the cooperative movement is governed by an Act which this study seeks to explore and find out its effects on membership retention and such information can then be used by policy makers in strengthening the cooperative movement.
4. Fourthly, Kenyan's financial market has been graced by increase in micro-finance institutions and penetration of the major banks to the country's interior, and seeing that cooperatives' survival depends on membership numbers then it is of importance that the

study of membership is conducted to provide basis on which strategies can be employed to ensure the numbers do not decline.

5. Lastly the study will form a basis upon which further studies can be conducted.

As a researcher, I will be interested in finding out more about the history of Wana-anga since its inception, and any other documented information that is open to public scrutiny, information that will form part of my background study.

It is therefore with this in mind that I seek permission from the management team to conduct my research based on Wana-anga that will involve perusal of the said documented information and interviews on members of the management team. The bulk of the research though will be conducted through questionnaires that will be presented to a sample group of the cooperative members.

I'm working in collaboration with my supervisor, Dr Keiyoro of the University of Nairobi, with a time line of March 15 as the date of defending my proposal, a document that I have attached for your perusal.

Hoping for positive response.

Yours Sincerely,

Christine Owuor Nyagengo.